

Rating Action: Moody's assigns Aa2 to Croton-on-Hudson, NY's GO Bonds

16 Sep 2020

New York, September 16, 2020 -- Moody's Investors Service has assigned a Aa2 rating to the Village of Croton-on-Hudson, NY's estimated \$2.6 million Public Improvement (Serial) Bonds, 2020. Moody's currently maintains a Aa2 issuer rating and general obligation limited tax (GOLT) rating on the village. The issuer rating is equivalent to the village's hypothetical general obligation unlimited tax rating (GOULT); there is no debt associated with the GOULT security.

RATINGS RATIONALE

The Aa2 issuer rating reflects a modestly sized tax base with a solid socio-economic profile; strong financial position; and above average unfunded liabilities.

We consider the outstanding debt to be GOLT because of limitations under New York State law on property tax levy increases. The lack of distinction between the Aa2 GOLT rating and the Aa2 Issuer rating reflects the village board's ability to override the property tax cap and the faith and credit pledge in support of debt service.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. The village reports that fiscal 2020 will end with a modest surplus and that revenues were not greatly impacted by coronavirus. However, fiscal 2021 will likely be impacted, particularly in departmental revenues where parking revenues from around the village train station are down considerably. As a result, the village reduced its revenue forecast for 2021, cut expenses and used \$285,000 to balance the budget. However, the situation surrounding Coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the village changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

Moody's does not generally assign outlooks to local governments with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Significant reduction in unfunded liabilities
- Material increase in tax base
- Improved socio-economic profile

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Reduction in reserves or liquidity
- Increase in unfunded liabilities
- Material decline in tax base or socio-economic profile

LEGAL SECURITY

The GO bonds are secured by the village's general obligation pledge as limited by New York State's Property Tax Cap-Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011) and by the village's pledge of its faith and credit to pay debt service.

USE OF PROCEEDS

The bonds will provide new money for various capital projects within the village.

PROFILE

The Village of Croton-on-Hudson is in the Town of Cortlandt (Aa1) in Westchester County (Aa1 negative), approximately 35 miles north of New York City (Aa1 negative). The village had approximately 8,250 residents as of 2017.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in July 2020 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

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